



MAINE REVENUE SERVICES

(FORMERLY BUREAU OF TAXATION)

SALES/EXCISE TAX DIVISION

INSTRUCTIONAL BULLETIN NO. 5

SHOE REPAIR

This bulletin is intended solely as advice to assist persons in determining, exercising or complying with their legal rights, duties or privileges. It contains general and specific information of interest as well as interpretations and determinations by Maine Revenue Services regarding issues commonly faced by your business. Portions of the Sales and Use Tax Law referred to in this bulletin can be found at the end of the bulletin in Attachment #1. Also attached are applicable Sales and Use Tax Rules.

Persons engaged in shoe repair are rendering services and selling tangible personal property .

1. SERVICES.

The repair of shoes is considered a service rather than the sale of personal property. The provider of the service should pay the tax as a consumer on the purchase of all materials and supplies used in the repairing of shoes. These materials and supplies will include: leather, rubber heels, thread, nails, wax, etc. If such items are purchased from outside the State and tax was not paid to the supplier , use tax should be reported and paid on the regular sales tax return form.

2. SALES.

a. Taxable Sales. A person engaged in shoe repair will be considered a retailer when selling such items as shoe polish, shoe laces, shoes, etc.. The shoe repairer should purchase such items tax free by furnishing the supplier with a resale certificate as explained below, and collect from the customer sales tax on the sale.

b. Exempt Sales.

i. **Sales for resale.** A sale for resale in the form of tangible personal property is not taxable. A shoe repairer, when selling to others for resale, should require the customer to furnish a resale certificate in substantially the form set forth in Rule No. 301. Otherwise, the burden of proving that a sale actually was for resale is upon the person making the sale. More detailed information regarding sales for resale will be found in Rule No. 301.

ii. **Sales to exempt organizations.** Sales made directly to the federal government, the State of Maine or any political subdivision of the State of Maine (such as counties, cities or towns), or to any agency or instrumentality of any of the above governments, are exempt from sales tax. The Sales and Use Tax Law also provides exemptions for various other organizations, such as hospitals, schools, regularly organized churches or houses of religious worship, and certain other organizations.

In the case of sales to governments and government agencies, no evidence of exemption is required other than the invoice indicating sale to the government or government agency. When selling to other exempt organizations, the seller should require the customer to furnish a certificate of exemption in accordance with Rule No. 302.

3. **PURCHASES.**

a. **Purchases For Own Use.** On those items which the shoe repairer uses in the business rather than sells in the form of tangible personal property, tax should be paid to the supplier on the purchase. If purchases of such items are made from outside the State and tax is not paid to the supplier, tax should be reported and paid on the sales and use tax return.

b. **Purchases for Resale.** When a retailer purchases tangible personal property for resale, the retailer should furnish the supplier with a resale certificate as provided in Rule 301. The certificate will enable the retailer to purchase tangible personal property for resale without payment of sales tax. Only one certificate need be filed with each supplier to cover subsequent purchases. However, the retailer must state to the supplier whether the purchase is for resale or not and will be held responsible for the tax on any item purchased for resale but subsequently used by the retailer. **Purchasers who avoid payment of tax through deliberate misuse of resale certificates will be subject to prosecution.**

4. **ADDITIONAL INFORMATION.**

The information in this bulletin addresses some of the more common questions regarding the Sales and Use Tax Law faced by your business. It is not intended to be all inclusive. Requests for information on specific situations should be in writing, should contain full information as to the transaction in question, and should be directed to the:

**MAINE REVENUE SERVICES
SALES\EXCISE TAX DIVISION
P. O. BOX 1065
AUGUSTA, ME 04332-1065
TEL: (207) 287-2336
TTY: (207) 287-4477**

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Issued: July 2, 1951

Last Amended: November 19, 1990

(Printed under Appropriation 010-18F-0002-07)

**ATTACHMENT #1
Excerpts taken from 36 MRSA**

BUL 5

36 § 1752. Definitions.

The following words, terms and phrases when used in chapters 211 to 225 have the meaning ascribed to them in this section, except where the context clearly indicates a different meaning:

10. Retailer. "Retailer" means a person who makes retail sales or who is required to register by section 1754-A or 1754-B or who is registered under section 1756.

11. Retail sale. "Retail sale" means any sale of tangible personal property in the ordinary course of business for any purpose other than for resale, except resale as a casual sale, in the form of tangible personal property. "Retail sale" also means any sale of a taxable service in the ordinary course of business for any purpose other than for resale, except resale as a casual sale.

13. Sale. "Sale" means any transfer, exchange or barter, in any manner or by any means whatsoever, for a consideration and includes leases and contracts payable by rental or license fees for the right of possession and use, but only when such leases and contracts are deemed by the State Tax Assessor to be in lieu of purchase.

14. Sale price. "Sale price" means the total amount of a retail sale valued in money, whether received in money or otherwise.

A. "Sale price" includes:

- (1) Services which are a part of a retail sale; and
- (2) All receipts, cash, credits and property of any kind or nature and any amount for which credit is allowed by the seller to the purchaser, without any deduction on account of the cost of the property sold, the cost of the materials used, labor or service cost, interest paid, losses or any other expenses.

B. "Sale price" does not include:

- (1) Discounts allowed and taken on sales;
- (2) Allowances in cash or by credit made upon the return of merchandise or with respect to fabrication services pursuant to warranty;
- (3) The price of property returned or fabrication services rejected by customers, when the full price is refunded either in cash or by credit;
- (4) The price received for labor or services used in installing or applying or repairing the property sold or fabricated, if separately charged or stated;

Relevant Rules: **#301 - Sales for Resale**
 #302 - Sales to Government Agencies and Exempt Organizations